FISCAL NOTE

SB 1174 - HB 1075

March 6, 1997

SUMMARY OF BILL: Requires counties to adopt a four- or five-year cycle for property reappraisal purposes; eliminates current value updating between reappraisals; and reduces the interval of time allowed between reappraisals. Current law allows counties to adopt a four- or six-year reappraisal cycle. Eighty-four counties currently operate on a six-year cycle.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Not Significant

Increase Local Expenditures* - $400,000 Over Time
Decrease Local Govt. Expenditures - $60,000 Beginning FY97-98

Increase Local Govt. Revenues - Exceeds $100,000 Over Time

Assumes an increase in state expenditures to the Comptroller's Office that can be absorbed within the agency's budget. Such increase is the result of appraisal grants provided by the state to counties increasing in non-appraisal years to provide an equal payment each year. Current appraisal grants increase in the reappraisal year, with lower payments in non-appraisal years. As the implementation progresses, the state will provide higher appraisal grants to local governments in some years than it would in the absence of the bill, and lower payments in some years than in the absence of the bill. **As the bill is fully implemented, in the sixth year and thereafter, the state will pay no more than it would have paid in the absence of the bill.**

Assumes an increase in local government expenditures since parcels of property will be reappraised more often than they are currently. Such increase will take place over time, as more counties convert to the five-year cycle, resulting in a recurring increase in local government expenditures, in FY02-03 and thereafter, of $400,000. This assumes that the conversion for all counties that are currently on a six-year cycle that will move to a five-year cycle will be complete beginning in FY02-03.

Assumes a decrease in local government expenditures of $60,000 beginning upon passage of the bill, since current value updating will no longer take place under the provisions of the bill.

Assumes an increase in local government property tax revenues exceeding $100,000 over time, since property characteristics, including new construction and improvements, will be reviewed and added to the taxable base more quickly.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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James A. Davenport, Executive Director